National Energy Board | Office national de l'énergie

Quarterly Financial Report
For the quarter ended 30 June 2011

Statement outlining results, risks and significant changes in operations, personnel and program

Introduction

The quarterly financial report for the National Energy Board (NEB or Board):

- should be read in conjunction with the Main Estimates;
- has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board; and
- has not been subject to an external audit or review.

A summary description of the NEB's program activities can be found in *Part II of the Main Estimates*.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the National Energy Board's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2011-12 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

The National Energy Board uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of Fiscal Quarter and Fiscal Year to Date Results

Actual Expenditures

The department's quarterly and year-to-date spending are generally in line with that of the previous year with the exception of personnel expenditures which increased $2.0M or 20% from the same period in 2010-11. Approximately $1.0M of this increase is attributable to incremental Full Time Equivalents (FTEs) required due to forecasted increases in regulatory responsibility.

Funding was approved for these additional FTEs in 2009-10 and the Board was able to augment the net staff complement over time. The remaining $1.0M variance is the result of the implementation of quarterly accruals to record annual allowances as recommended by the Office of the Auditor General during the 2009 audit of the Cost Recovery Financial Statements. This method for recording the annual allowances was put in place in the second quarter of 2010-11 and therefore is a timing difference that will be eliminated in the Quarterly Financial Report for the quarter ending September 30, 2011.

Planned Expenditures

There are three significant variances in planned expenditures between 2010-11 and 2011-12 as follows:

- Total planned spending for personnel has decreased slightly in 2011-12. The additional funding for FTE's related to forecasted increases in regulatory responsibility has been offset in 2011-12 by the elimination of special allowances contained in the current collective agreement which expires 31 October 2011. It is expected that funding will be received for these allowances prior to 31 March 2012.

- Planned spending for Professional and special services has increased by almost $1.5M or 33% in 2011-12. This reflects anticipated increased spending related to the Arctic Offshore Drilling Review that is being conducted by the NEB.

- The final item of note is the planned spending of $1.4M for Transfer Payments which was included in the 2011-12 Main Estimates. At the end of 2009-10 participant funding provisions were added to the National Energy Board Act and funding for this provision was made available to the NEB in the third quarter of 2010-11 through Supplementary Estimates B. The NEB's Participant Funding Program (PFP) will be used to provide financial assistance to support the engagement of Aboriginal groups, landowners, not-for-profit organizations and other eligible persons in the regulatory assessment processes for major facility projects.

Risks and Uncertainties

The energy industry is in a state of constant evolution and is impacted by many factors such as changing technology, political unrest, societal perceptions and financial concerns. As a regulator of the energy industry the NEB must also evolve to ensure they are in the best position to make quality decisions to help the organization realize its strategic outcome. The resultant impact is the NEB's significant expenditure in personnel which represents 78% of its planned expenditures. Due to the flux in the industry and the very competitive market, an ongoing

challenge for the NEB has been attracting and retaining skilled workers. The expiration of the current collective agreement on 31 October 2011 also creates a level of uncertainty related to staffing expenditures throughout the next few years.

Due to the nature of its mandate the NEB's expenditures can also be influenced by unplanned external events which create uncertainty in expenditures and resource pressures.

Significant Changes in Relation to Operations, Personnel and Programs

The addition of participant funding provisions to the National Energy Board Act has resulted in a permanent increase to NEB authorities.

As a result of increased interest in offshore drilling in Canada's North, the Board decided to conduct an Arctic Offshore Drilling Review. The NEB will be receiving some temporary additional funding for the review this year. The work is expected to be completed by 31 December 2011.

Approval by Senior Officials

Approved by,

The original version was signed by

Gaétan Caron, Chair and CEO

The original version was signed by

Pradeep Kharé, Chief Financial Officer

(Calgary, Canada)
(29 August 2011)

STATEMENT OF AUTHORITIES (unaudited)

(in thousands of dollars)	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Total available for use for the year ending March 31, 2012	Used during the quarter ended June 30, 2011	Year to date used at quarter-end	Total available for use for the year ended March 31, 2011	Used during the quarter ended June 30, 2010	Year to date used at quarter-end
Vote 25 – Net Operating expenditures	52,731	12,491	12,491	53,325	10,607	10,607
Budgetary statutory authorities	7,099	1,775	1,775	6,344	1,586	1,586
Total Budgetary authorities	**59,829**	**14,266**	**14,266**	**59,669**	**12,193**	**12,193**
Non-budgetary authorities						
Total authorities	**59,829**	**14,266**	**14,266**	**59,669**	**12,193**	**12,193**

More information is available in the attached table.

** Includes only Authorities available for use and granted by Parliament at quarter-end.*

DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)

(in thousands of dollars)	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended June 30, 2011	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2011	Expended during the quarter ended June 30, 2010	Year to date used at quarter-end
Expenditures:						
Personnel	46,535	12,030	12,030	47,784	9,998	9,998
Transportation and communications	3,644	624	624	3,210	669	669
Information	361	42	42	251	74	74
Professional and special services	5,918	1,118	1,118	4,433	1,076	1,076
Rentals	328	41	41	331	39	39
Repair and maintenance	716	297	297	1,067	178	178
Utilities, materials and supplies	564	70	70	506	83	83
Acquisition of land, buildings and works	49	-	-	715	-	-
Acquisition of machinery and equipment	296	25	25	1,291	49	49
Transfer payments	1,366	-	-	-	-	-
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	53	19	19	82	27	27
Total gross budgetary expenditures	**59,829**	**14,266**	**14,266**	**59,669**	**12,193**	**12,193**
Less Revenues netted against expenditures:						
Regulatory Revenue	-	(14,974)	(14,974)	-	(14,935)	(14,935)
Miscellaneous Revenue	-	(4)	(4)	-	(1)	(1)
Total Revenues netted against expenditures:	**-**	**(14,978)**	**(14,978)**	**-**	**(14,936)**	**(14,936)**
Total net budgetary expenditures	**59,829**	**(712)**	**(712)**	**59,669**	**(2,743)**	**(2,743)**